

In 1985, the Commission published its policy to extend UTP to national securities exchanges in certain OTC securities provided certain terms and conditions are satisfied.⁷ The Commission's policy stated that UTP approval would be conditioned, in part, on the approval of a plan to consolidate and disseminate exchange and OTC quotation data and transaction data upon which UTP is granted. As noted above, in 1990, the Commission approved the Plan which provides for the collection, consolidation, and dissemination of quotation and transaction information for Nasdaq/NMS securities listed on an exchange or traded on an exchange pursuant to a grant UTP.⁸ Transactions in securities pursuant to the Plan are and will continue to be reported in the consolidated transaction reporting system established under the Plan.

The Commission has emphasized that Phlx specialists trading Nasdaq/NMS securities pursuant to the grant of UTP are subject to Plan requirements as well as the Phlx OTC/UTP Pilot Program and Phlx By-Laws and Rules, in general.⁹ Moreover, the Commission has stated its intent to monitor any potential abuse of the informational advantage that options traders could acquire from the Phlx equity floor with respect to securities traded under the Phlx OTC/UTP Pilot Program.¹⁰ These requirements and the Commission's intent to monitor for abuses will continue in effect, particularly if the Phlx removes its temporary suspension of trading pursuant to its OTC/UTP Pilot Program and the Plan.

The Commission believes that it is appropriate to extend the Phlx OTC/UTP Pilot Program through August 12, 1995, while the Commission evaluates the overall program for OTC/UTP and any enhancements or changes to the program that may be necessary to further the purposes of the Act. In the interim, however, the Commission continues to believe that the Phlx OTC/

UTP Pilot Program, as limited by the Joint OTC/UTP Plan, generally furthers the objectives of a national market system and is consistent with the maintenance of fair and orderly markets and the protection of investors as required by Sections 6(b)(5), 11A and 12(f) of the Act.

V. Conclusion

For the reasons stated above, the Commission believes that it is appropriate to extend the Phlx OTC/UTP Pilot Program through August 12, 1995.

The Commission finds good cause for approving the proposed rule change prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register**. In light of the previously scheduled expiration of the Phlx OTC/UTP Pilot Program on June 30, 1995, the Commission believes that accelerated approval of the proposal is appropriate in order to allow the Phlx to continue to have rules in place for OTC/UTP trading. Further, the Phlx OTC/UTP Pilot Program and the accompanying rules have been noticed previously in the **Federal Register** for the full statutory period, and the Commission received no comments on the proposal.¹¹

It is Therefore ordered, pursuant to Section 19(b)(2) ¹² that the proposed rule change is hereby approved on a pilot basis through August 12, 1995.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Jonathan G. Katz,

Secretary.

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[Release No. 34-35943; File No. SR-Phlx-95-05]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the Philadelphia Stock Exchange, Inc., Relating to the Response Period for Customized Foreign Currency Options

July 7, 1995.

On February 21, 1995, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange"), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") ¹ and Rule 19b-4 thereunder,² filed with the Securities and Exchange Commission ("Commission") a proposed rule change

to eliminate the response period and the special parity rules that apply following a request for quote ("RFQ") for a customized foreign currency option ("FCO"). Notice of the proposal appeared in the **Federal Register** on April 24, 1995.³ No comment letters were received on the proposed rule change. This order approves the Phlx proposal.

The purpose of the proposed rule change is to amend Exchange Rule 1069(b) in order to eliminate both the response period permitted following an RFQ for a customized FCO and the special parity rules for assigned Registered Options Traders ("ROTs") that apply during that response period.⁴ Currently, when a participant submits an RFQ, any other participant may request a preset response time.⁵ Once the response period has been invoked, a trade may occur prior to the end of the response period only if at least two assigned ROTs respond to the RFQ.

The special parity provisions in Rule 1069 provide that any assigned ROT who enters a responsive quote that is improved upon during the response time by another participant is entitled to participate on a parity basis with that other participant by announcing immediately thereafter, and prior to the execution of the order, that he or she is matching the best bid or offer. This ability to match is available to assigned ROTs until the execution of the trade or the end of the response time period, whichever occurs first.

The Phlx now proposes to amend Rule 1069 to eliminate the response time period and the special parity provisions. As a result, the Exchange represents that customized FCOs would trade more like other FCOs listed on the Exchange in that trades would be executable as soon as any responsive quote ⁶ is made and the Exchange's existing parity and priority provisions in Phlx Rule 1014(h) would apply.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder

³ See Securities Exchange Act Release no. 35615 (April 17, 1995), 60 FR 20133.

⁴ The proposal also adopts Floor Procedure Advice F-20 (Quoting and Trading Customized Foreign Currency Options) which will parallel the provisions in Exchange Rule 1069(b), as amended.

⁵ The response period was initially set by the Exchange's FCO Committee at two minutes for simple strike options, five minutes for simple spreads, inverses, and cross-rates, and eight minutes for options strategies involving more than three legs. The FCO Committee shortened the response period to one minute for all types of RFQs for customized FCOs on January 16, 1995, effective at the opening on January 17, 1995.

⁶ See *infra* note 8.

to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Section 11A provides, among other things, that it is in the public interest and appropriate for the protection of investors to assure fair competition among brokers and dealers, among exchange markets, and between exchange markets and markets other than exchange markets. Section 12(f), as recently amended by the UTP Act of 1994, provides, among other things, that exchange may extend UTP to securities that are registered, but not listed on any exchange, provided that certain conditions are met.

⁷ See Securities Exchange Act Release No. 22412 (September 16, 1985), 50 FR 38640.

⁸ See note 3, *supra*.

⁹ See note 4, *supra*.

¹⁰ *Id.*

¹¹ See *supra* note 4.

¹² 15 U.S.C. 78s(b)(2) (1988).

¹³ 17 CFR 200.30-3(a)(12) (1991).

¹ 15 U.S.C. 73s(b)(1) (1988).

² 17 CFR 240.19b-4 (1994).

applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5).⁷ Specifically, the Commission believes the proposal may attract additional customized FCO transactions to the Exchange, particularly crossing transactions⁸ that are currently executed in the over-the-counter ("OTC") market. As the Commission stated in approving the listing of customized FCOs by the Exchange, the benefits of trading on an exchange versus OTC trading include, but are not limited to, a centralized market, posted transparent market quotations and transaction reporting, parameters and procedures for clearance and settlement, and the guarantee of The Options Clearing Corporation as the issuer of all customized FCOs listed on the Exchange.⁹ Even though eliminating the response time period may reduce some of the opportunity for price improvement that is currently available for customized FCOs traded on the Exchange,¹⁰ the structure currently in place for the trading of customized FCOs, which the Commission has found to be consistent with the Act,¹¹ will otherwise remain unchanged.

In this regard, the proposal effectively alters the trading structure of customized FCOs in a manner making it more similar to the trading of regular FCOs listed by the Exchange. As a result, the Commission believes that the proposal does not raise any significant regulatory concerns that have not been previously addressed by the Phlx and the Commission in connection with the trading of regular FCOs.

Finally, the Exchange stated in its proposal that the response period and the attendant parity rules were intended

to assure that the floor traders, who the Phlx believes are crucial to providing liquidity to the marketplace, were not placed at a disadvantage to the off-floor traders. The Exchange represents, however, that the level of trading in customized FCOs has not provided sufficient activity to determine whether this concern is valid. The Exchange believes, however, that as additional trading history for customized FCOs develops, it will be in a better position to monitor the trading activity in customized FCOs to ensure that no material competitive disparity is actually occurring.

It is therefore ordered, pursuant to section 19(b)(2) of the Act,¹² that the proposed rule change (File No. SR-Phlx-95-05) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹³

Jonathan G. Katz,
Secretary.

[FR Doc. 95-17204 Filed 7-12-95; 8:45 am]

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[Rel. No. IC-21192; File No. 812-9274]

Connecticut General Life Insurance Company, et al.

July 6, 1995.

AGENCY: Securities and Exchange Commission (the "SEC" or the "Commission").

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (the "1940 Act").

SUMMARY: Connecticut General Life Insurance Company ("CG Life"), CG Variable Life Insurance Separate Account I (the "Account"), any other separate account established by CG Life in the future (the "Other Accounts", collectively, with the Account, the "Accounts") to support certain flexible premium variable life insurance policies which are substantially similar, in all material respects, to the Existing Contracts described below (the "Future Contracts", collectively, with the Existing Contracts, the "Contracts") and Cigna Financial Advisors, Inc. ("Cigna").¹

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) of the 1940 Act for exemptions from Section

27(c)(2) of the 1940 Act and Rule 6e-3(T)(c)(4)(v) thereunder.

SUMMARY OF APPLICATION: Applicants seek an order to permit them to deduct from premiums received under the Contracts issued by CG Life and the Accounts a charge that is reasonable in relation to CG Life's increased federal income tax burden resulting from the receipt by CG Life of such premiums in connection with the Contracts.

FILING DATE: The application was filed on October 11, 1994 and amended and restated on May 19, 1995. Applicants represent that an amendment to the application will be filed during the notice period.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing on this application by writing to the Secretary of the SEC and serving Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the Commission by 5:30 p.m. on July 31, 1995 and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Secretary of the SEC.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street NW., Washington, D.C. 20549.

Applicants, Robert A. Picarello, Esq., Connecticut General Life Insurance Company, 900 Cottage Grove Road, Hartford, Connecticut 06002.

FOR FURTHER INFORMATION CONTACT: Barbara J. Whisler, Senior Counsel, or Wendy Friedlander, Deputy Chief, both at (202) 942-0670, Office of Insurance Products, Division of Investment Management.

SUPPLEMENTARY INFORMATION: Following is a summary of the application. The complete application is available for a fee from the Commission's Public Reference Branch.

Applicant's Representations

1. CG Life, a stock life insurance company domiciled in Connecticut, is a wholly owned subsidiary of CIGNA Holdings, Inc., which is, in turn, wholly owned by CIGNA Corporation. The Account, established by CG Life on July 6, 1994 pursuant to Connecticut law, is registered with the Commission as a unit investment trust. The assets of the Account are divided among subaccounts, each of which will invest in shares of one of five registered

⁷ 15 U.S.C. 78f(b)(5) (1988).

⁸ A crossing transaction is one in which the same broker acts as agent in both sides of a trade. As applied to customized FCOs, Phlx's crossing rules (see Phlx Rule 1064) provide that a participant may cross orders by submitting an RFQ in which he announces his intention to cross and his market for the transaction. After providing an opportunity for responsive bids and offers to be made, he may then execute the cross by improving the best bid or offer by the minimum fractional change and announcing the quantity and price for the transaction. Telephone conversation between Michele Weisbaum, Associate General Counsel, Phlx, and Brad Ritter, Senior Counsel, Division of Market Regulation, Commission, on July 5, 1995.

⁹ See Securities Exchange Act Release No. 34925 (November 1, 1994), 59 FR 55720 (November 8, 1994) ("Exchange Act Release No. 34925").

¹⁰ Phlx's parity and priority provisions in Rule 1014(h) will apply to transactions in customized FCOs. For crossing transactions, however, by eliminating the response time period, the Commission recognizes that the opportunity for other participants to better the market will be diminished. See *supra* note 8.

¹¹ See Exchange Act Release No. 34925, *supra* note 9.

¹² 15 U.S.C. 78s(b)(2) (1988).

¹³ 17 CFR 200.30-3(a)(12) (1944).

¹ Applicants represent that an amendment to the application will be filed during the notice period and that such amendment will include the description of the Applicants contained in this notice.